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## Lessons from ASW 2020

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LAST Monday, a news report brought good tidings to all who desire to invest in new unit trust schemes. It said Permodalan Nasional Bhd would launch new unit trust schemes soon.

More importantly, PNB, flushed with the successful launch of the Amanah Saham Wawasan 2020, will conceptualise future unit trust schemes to garner greater participation of non-Bumiputeras.

The report quoted PNB group chief executive Hamad Kama Piah Che Othman as saying: "We are now in the midst of choosing the best approach on how more non-Bumiputeras can participate."

The country's largest investment house has opted for such a strategy following the more-than-good response from non-Bumiputeras to units offered by ASW 2020.

The closed unit trust scheme, launched on Sept 2, 1996, offered three billion units to Malaysians between the ages of 12 and 29. Reserved for Bumiputeras were 51 per cent or 1.53 billion units.

Within a year, 1.25 billion units of the non-Bumiputera allocation were snapped up. The latest statistics released by Hamad Kama Piah show that the figure is now 1.44 billion.

Moreover, with daily purchase by non-Bumiputeras averaging one million ASW 2020 units, the possibility is solid that the remaining 25.5 million would be sold in less than a month.

The enthusiasm of non-Bumiputeras is sufficient reason for PNB to extend the new schemes it is working out to this group of investors.

As the group chief executive said PNB hoped to launch them soon and was now determining the size and benefits for the investors.

The national investment institution knows best about unit trust schemes. Its record is manifest testimony of its investment management credentials.

PNB is the parent company of Amanah Saham Nasional Bhd, the managers of three unit trust schemes - Amanah Saham Nasional, Amanah Saham Bumiputera and ASW 2020.

All three, since the original ASN was launched in April 1981, have mobilised six million investors who hold investments totalling RM30.5 billion in quoted and unquoted shares.

Only the Employees' Provident Fund has equity investment approaching or even matching PNB's total.

It is plain why PNB is devising new unit trust schemes. After 18 years in the business, the lustre of PNB's schemes appears to have faded.

Perhaps, its unit trusts for Bumiputeras have netted all those who have disposal income to save in either ASN or ASB.

Perhaps, it has sold almost all the ASW 2020 units allocated for non-Bumiputeras.

But the statistics show PNB had no investment growth in 1998 compared to 1997. True, new investments in the three schemes totalled RM8 billion last year. But that amount had been cancelled by unit holders' redemptions.

So, the *raison d'etre* for working out new schemes if PNB is to remain a thriving investment company.

Perhaps, it should also consider reassessing and reviewing the scope of its core and biggest scheme, the ASB which currently has RM27 billion in investors' funds.

LET us look at what PNB could possibly provide in its new schemes to garner new investors and more savings for existing investors.

First, the ASW 2020 provides lessons that should be heeded, lessons that could be worked into future unit trusts. It is a closed unit trust. In plain language, the total number of units offered for sale is limited to three billion.

Of the number, more than 98 per cent of the non-Bumiputera allocation has been taken up. The residual units will also be bought within a month. Hence, the non-Bumiputera portion of investors' market is potentially vast.

More so when it is realised that the ASW 2020 is limited to investors aged between 12 and 29. True, many parents save in this unit trust for their children. But placing the age cap does restrict non-Bumiputera participation.

Moreover, the lid on the total amount that could be invested by any one person is limited to RM50,000. The ASB, on the other hand, currently has a savings cap of RM200,000.

Participation in the ASW 2020 scheme by Bumiputeras has been relatively lukewarm. Of the 1.53 billion units, only 335 million have been taken up so far. And when the number of investors, 360,000, is taken into account, the average savings of each Bumiputera unit holder works out to less than RM1,000.

It is obvious, therefore, Bumiputeras find the ASW 2020 less attractive than the ASB scheme which current has 20 times more participants, with average savings far, far higher.

Clearly then, these conclusions point to factors that PNB should consider in framing the scope of the new schemes.

Perhaps, it has already decided. But since it has not launched them, it should consider lessons from the ASW 2020.

One, while the new unit trusts could invite participation from all Malaysians, PNB would be wise not to bifurcate allocations to Bumiputeras and non-Bumiputeras.

Two, the new schemes should be open unit trusts, not closed and the units offered for sale limited. The new schemes should be similar to that of the ASB.

Three, it should open participation to all Malaysians above the age of 12. For, if indeed it is prudent to limit investment, the ceiling should be as high as RM200,000, if not more.

With these features structured into the new schemes, PNB would be able to garner greater participation of non-Bumiputeras.

The investments it would be able to net would be vast, indeed as much, if not more than those mobilised by ASB.

No one will, or should, raise the criticism that PNB is deviating from its original objectives. These essentially were to harness Bumiputera savings and channel them into acquiring equity in Malaysian corporations. Those objectives have been successfully met.

Indeed, it could be said that PNB has expanded the parameters of its original objectives. This is evident in the rationale of the ASW 2020 scheme.

The objective of ASW 2020 was enunciated by Prime Minister Datuk Seri Dr Mahathir Mohamad when he launched the scheme on Aug 28, 1996. The objective, he said, was to foster unity and peace among the diverse populace and ethnic groups.

As it launches new unit trusts, PNB should perhaps review the structures of its existing schemes.

Currently, the ASN only allows unit accounts for children above the age of 12. Why the age restriction?

Why should it not allow parents to open ASB accounts for younger children, even infants?

Given developments in the financial system in the country that facilitate accounts to be opened in trust for young children, PNB has no valid reason to deny parents the option of opening infant accounts.

The investment agency should not be apprehensive about maintaining records.

The National Registration Department will soon issue birth certificates whose numbers will be later the numbers of identity cards.

The other revision PNB should consider is the limit it imposes on the amount children aged 12 and above but below 18 can save in the ASB scheme at RM10,000.

How long can the investment house justify this cap when it allows this group of children to save up to RM50,000 in the ASW 2020 scheme?

Surely, it must realign the parameters of all the schemes it offers to the public and make them the same for all its investors.

Everyone would applaud the new schemes only if they have substantial benefits for investors. Otherwise, they would go a-begging.

More importantly, the new schemes should not leave investors in the existing unit trusts short-changed. Which they would be, if the terms and conditions are more favourable to investors in the new schemes.

So, PNB would be equitable if it has a uniform regime for all its schemes though it must be granted that long-time investors should be rewarded more in terms of benefits for their loyalty.

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